

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. RPU-2012-0002
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**ORDER GRANTING INTERVENTION, PERMISSION TO APPEAR PRO HAC VICE,
AND DIRECTING RESPONSES**

(Issued July 30, 2012)

On June 22, 2012, the Utilities Board (Board) issued an order in Docket No. RPU-2012-0002 in which it established a procedural schedule and scheduled a hearing to consider a general rate increase request for natural gas service filed by Interstate Power and Light Company (IPL). The procedural schedule established a date for petitions to intervene of July 17, 2012. On July 16, 2012, Archer Daniels Midland Company and Equistar Chemicals, L.P. (collectively, the Iowa Consumers Group), filed a petition to intervene. Attorneys for the Iowa Consumers Group also filed a request to appear before the Board pro hac vice.

In support of the petition to intervene, the Iowa Consumers Group states that its members have substantial and vital interests in the proposed rate increase and that the members' interests will not be adequately represented by any other party to the proceeding. No party has objected to the petition to intervene.

The Board will grant the petition to intervene. The members of the Iowa Consumers Group meet the requirements of 199 IAC 7.13(3) for interventions since they

have an interest in the final rates approved by the Board and they will not be adequately represented by any of the other parties in the proceeding.

Attorneys for the Iowa Consumers Group, Daniel E. Frank and Jennifer J. Kubicek, have requested to appear pro hac vice before the Board in Docket No. RPU-2012-0002. Mr. Frank and Ms. Kubicek are attorneys in the Washington, D.C., law firm of Sutherland Asbill & Brennan LLP and are admitted to practice law in the District of Columbia and Virginia. Mr. Frank and Ms. Kubicek have provided the information required by the Iowa Admission to the Bar rule 31.14(2) and both attorneys state that they are familiar with the rules of professional conduct, the disciplinary procedures of the State of Iowa, and the Board's procedures. Both attorneys have filed the appearance of an attorney, Steven S. Hoth, who is licensed to practice law in Iowa. Mr. Frank states that he has previously been granted the right to appear before the Board in Docket No. RPU-2010-0001.

Board subrule 199 IAC 7.4(8) provides that a party may be represented before the Board by an attorney and, if the attorney is not licensed to practice law in Iowa, the attorney must file a verified statement that contains the attorney's agreement to submit to and comply with the Iowa Code of Professional Responsibility for Lawyers and the written appearance of an attorney licensed to practice law in Iowa. Although Mr. Frank and Ms. Kubicek have not specifically stated their agreement to submit to and comply with the Iowa Code of Professional Responsibility, they have provided the information required by Iowa Admission to the Bar rule 31.14(2) and both appear to be in good standing in the jurisdictions where they practice. In addition, the two attorneys have filed the appearance of a resident attorney as required by Board rules and the Iowa

Admission to the Bar rules. The Board will therefore grant Mr. Frank and Ms. Kubicek the right to appear before the Board and represent the Iowa Consumers Group in Docket No. RPU-2012-0002, with the understanding that they agree to submit to and comply with the applicable code.

The Board has reviewed the prepared testimony, exhibits, and supporting workpapers of the IPL witnesses who pre-filed prepared direct testimony in support the general rate increase request. Based upon that review, the Board has several questions about the testimony and information provided by IPL witnesses. The Board will direct IPL to file responses to the following questions:

1. Exhibit JPN-1, Schedule A-1, column d, line 26 (page 301 of IPL's IG-1 annual report for the year ended December 31, 2011) shows total test year volume of 55,365,243 Dekatherms. After removing adjustments of minus 753,350 Dekatherms relating to unbilled revenues (based on page 301.4, column d, lines 2-12 in the IG-1 annual report), the resulting test year volume in Exhibit JPN-1, Schedule A-1 relating to billed sales and transportation revenues would total 56,118,593 Dekatherms. However, in Exhibit DV-1, Schedule C, after removing test year volumes unrelated to billed rate revenues (i.e., after removing adjustments for unbilled revenues, "Company Use," and "Other Revenues-Fuel"), the remaining test year volume relating to billed sales and transportation rates is 55,412,380 Dekatherms.

Starting with the test year volume of 56,118,593 Dekatherms derived from Exhibit JPN-1, Schedule A-1 as described above, identify and explain the additional adjustments needed to derive total 2011 billed "Sales (Dth) Retail" units of 55,412,380 Dekatherms in Exhibit DV-1, Schedule C.

2. Exhibit DV-1, Schedule C, and Exhibit JPN-1, Schedule A-1 (page 301 of IPL's IG-1 annual report) both show total booked test year revenues of \$263,231,745 for 2011. However, after removing

adjustments for unbilled revenues and non-rate revenues,¹ the resulting revenue from billed sales and transportation rates would be \$269,402,957 in Exhibit JPN-1, Schedule A-1, and \$266,564,434 in Exhibit DV-1, Schedule C.

Starting with the test year revenues of \$269,402,497 derived from Exhibit JPN-1, Schedule A-1 as described above, identify and explain the additional adjustments needed to derive the "Present" rate revenues of \$266,564,434 described above, in Exhibit DV-1, Schedule C.

3. In Exhibit DV-1, Schedule C, describe what "Unclassified" revenues are and explain how and why they would increase if IPL's proposed tariff rate increases are approved.

4. On page 18, lines 4-5 of his direct testimony, Witness Vognsen notes that IPL is updating its Gas Service Agreement and Gas Transportation Agreement because several of the provisions are out of date. Describe the provisions that are out of date and how they are being changed.

5. The new tariff sheet for Section 15, which renumbers First Revised Sheet 282 as Original Sheet 313, also has changes which seem to return the wording of subsection 15.02 to a version previously used in Original Sheet 282. Is this IPL's intent?

6. On page 20, lines 8-11 of his direct testimony, Witness Sullivan describes how separate subclasses for sales and transportation customers, in both the General Service and Large General Service classes, are represented in the class cost-of-service study in order to reflect their different load characteristics. In lines 14-20, he further explains:

While these subclasses are used to facilitate cost allocation to the overall class, the results of the cost of

¹ That is:

- a) Removing from Exhibit JPN-1, Schedule A-1: the minus \$7,131,388 in unbilled revenue adjustments (based on page 301.4, column b, lines 2-12 in the IG-1 annual report); "487 Forfeited Discounts"; "488 Misc. Service Revenues"; "493 Rent from Gas Property"; and "495 Other Gas Revenues."
- b) Removing from Exhibit DV-1, Schedule C: the minus \$7,131,694 in unbilled revenue adjustments; "Unclassified" revenue; "Penalties" revenue; "Other Revenues-Margin"; and "Other Revenues-Fuel."

service study by subclass are not intended to develop separate rates for the subclasses. Customers within the General Service and Large General Service classes can and do migrate between sales and transportation services and any differences in resulting cost allocation between subclasses can therefore be transient.

Under what conditions would the different load characteristics between the sales and transportation subclasses lead IPL to establish separate tariff rates for General Service Sales and General Service Transportation customers, and for Large General Service Sales and Large General Service Transportation customers?

7. On page 44, lines 17-19 of his direct testimony, Witness Sullivan states:

The average and excess demand approach I am using for IPL is the same methodology used by IPL in its last rate case in Board Docket No. RPU-05-1. However, in Docket No. RPU-05-1, IPL included the peak load requirements of interruptible customers in deriving its average and excess allocation factor, and based the "Excess" portion of average and excess demand on IPL's system peak demand rather than the summation of class peak demands.

Provide a revised version of Witness Sullivan's class cost-of-service study (Exhibit TJS-1, Schedules B through B-9 and Schedule C – including a revised version of the Excel workbook labeled "IPL_COS_Final"), in which:

a. The load factors for General Service Sales and Large General Service (LGS) Sales (Exhibit TJS-1, Schedule B-9, page 1, line 2, columns D and G) are calculated based on the peak load requirements of all class sales customers, including interruptible customers;²

b. The "Excess" portion of the "Mains Allocator" (Exhibit TJS-1, Schedule B-9, page 2, column B, line 50) are derived from the Highest Day of System Peak Deliveries (page 516 of IPL's IG-1 annual report for the year ended

² For example, in the "Load Factor" worksheet of the "IPL_COS_Final" Excel workbook, this would change the load factor for LGS Sales customers from 226.37 percent to approximately 63 percent.

December 31, 2011, column c, line 4) minus system peak day deliveries for the LGS Contract Demand class, rather than the summation of class "Peak Day - Dth" (Exhibit TJS-1, Schedule B-9, page 1, column B, line 3); and

c. The "Average & Excess Allocator" (Exhibit TJS-1, Schedule B-9, page 1, line 27) are based on the formula "(Line 21 x Line 49 Column C) + (Line 26 x Line 50 Column C)" rather than "(Line 20 + Line 25) / (Line 20 Total + Line 25 Total)."

8. Regarding IPL's Interim rate design, on page 4, lines 6-10 of her direct testimony, Witness Lenzen states:

Interim rate increases are determined by applying a uniform percentage increase across customer classes and are based on the non-fuel proportionate share of the total Iowa interim revenue requirement. This approach follows IPL's past practice that was accepted by the Iowa Utilities Board (Board) in Docket No. RPU-02-7.

However, in its October 4, 2002, *Order Setting Temporary Rates and Approving Corporate Undertaking* in Docket No. RPU-02-7, the Board stated:

IPL has agreed to accept a temporary rate design based upon the Board's decision on temporary rates for MidAmerican in Docket No. RPU-02-2. The Board will adopt the same temporary rate design. This method generally applies three criteria for designing temporary rates.

1. Rate codes with proposed final rate reductions receive no temporary increases;

2. No rate code receives a temporary increase larger than the increase proposed for final rates; and

3. The temporary increases are otherwise applied on a uniform percentage basis to monthly non-gas cost/non-EECR rate elements.

Explain either:

a. How IPL's interim rate design in this case meets the Board's three criteria for designing temporary rates in Docket No. RPU-02-7; or

b. Why the Board's three criteria should not be applicable in this case.

9. On pages 15-16 of her direct testimony, Witness Lenzen suggests that the Tax Benefit Rider (TBR) proposed in this case is similar to the TBR proposed and approved in IPL's last electric rate case (Docket No. RPU-2010-0001), but notes that the TBR approved in IPL's last case spread the tax benefits across all customers on a uniform cent-per kWh (kilowatt hour) basis, whereas the TBR in this case would assign the tax benefits selectively to the Residential, General Service, and LGS contract demand classes in the form of fixed monthly credits demand charge offsets.

a. Provide alternative calculations of the proposed TBR for years 1, 2, and 3 in which the tax benefits are spread across the total throughput of all sales and transportation customers on a uniform cent-per Therm basis.

b. In addition, provide a revised version of Exhibit AHL-1, Schedule D, which shows the results of these alternative calculations by customer class.

10. On pages 18-19 of her direct testimony, Witness Lenzen explains that the TBR tax benefits are being flowed back to customers over a three-year schedule based on the estimated tax benefits and estimated timeframes for completion of the IRS audits for each tax benefit category that will determine the final benefit amounts, and that:

Based on the timing of **expected** IRS resolution for each category, IPL has proposed a crediting schedule for customers that will allow it to adjust credits moving forward once tax treatments are sustained. ***This approach minimizes the risk that IPL will "over-credit" customers and then need to claw back those credits***, as described by Mr. Vognsen. (Lenzen direct testimony, p. 19, lines 2-6, emphasis added).

In addition, Witness Janecek on pages 9-10 of her direct testimony states she cannot predict the final IRS results with 100 percent certainty and that she cannot guarantee the targeted benefits used by Witnesses Lenzen and Vognsen will be sustained by the IRS audit.

Since the targeted benefits that IPL has used in the TBR cannot be guaranteed at this time, can the TBR be modified to eliminate all risk of over-crediting customers and no need for "claw back" of the over-credits?

11. File a weather normalization calculation using the methodology that IPL uses in its purchased gas adjustment filings.

IT IS THEREFORE ORDERED:

1. The petition to intervene filed by Archer Daniels Midland Company and Equistar Chemicals, L.P., on July 16, 2012, is granted.
2. Daniel E. Frank and Jennifer J. Kubicek are granted the right to appear in Docket No. RPU-2012-0002, pro hac vice, as counsel for the Archer Daniels Midland Company and Equistar Chemicals, L.P.
3. Interstate Power and Light Company shall file responses to the questions set out in this order on or before August 15, 2012.

UTILITIES BOARD

/s/ Elizabeth S. Jacobs

/s/ Darrell Hanson

ATTEST:

/s/ Joan Conrad
Executive Secretary

/s/ Swati A. Dandekar

Dated at Des Moines, Iowa, this 30th day of July 2012.